

COR-1475
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In reply refer to:
SP-1083

November 22, 1961

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It is respectfully requested that the auditor cognizant at our Boston Subcontractor perform an audit of the settlement proposals for completed Subcontract 100-9 and terminated Subcontract 100-18, copies of which proposals are enclosed.

Now that we are in receipt of these settlement proposals, we plan to issue the final Subcontract amendments which will close out the respective subcontracts. Prior to the issuance of these final amendments, we should know if these proposals are truly representative of the Subcontractor's cost experience and whether or not the costs are allowable in accordance with the provisions of (1) the respective subcontracts and (2) Section XV of ASPR. To help us in that determination, we would appreciate the assistance which may be provided by your office through your cleared auditors.

In the past, you have indicated a willingness to accept overhead rates as negotiated by the local cognizant audit agency. However, for your information, we should like to call your attention to the fact that these subcontracts were issued under the earlier version of ASPR Section VX, which specifies that the costs of General Research shall not be allowable unless they are specifically provided for elsewhere in the contract. These subcontracts have not provided for the allowability of General Research costs although this type of cost appears to be in the enclosed settlement proposals. The prime contract price negotiated with you under fixed-price Contract RT-100 and the cost agreed upon under CPFF Contract KK-1010 do not include any allowance for General Research costs of this subcontractor.

It is our belief that had the Subcontractor's administrative staff been more sophisticated at that time, they would have asked for the inclusion of General Research in these early contracts, and we would have gladly granted it to them.

We are willing to permit the Subcontractor to recoup the allocable General Research costs, and we are prepared to appropriately amend the subcontracts, provided that we are not financially penalized by so doing, particularly under Contract RT-100 where any General Research cost allowed to the Subcontractor would be a direct dilution of our profit. It is suggested that if it is your desire to allow the Subcontractor to recoup General Research costs,

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an appropriate amendment to Contract RT-100 be issued, raising the price therein by the amount of General Research costs allowed to the Subcontractor. Receipt of such a contract amendment will be immediately reflected in an amendment to Subcontract 100-9. Receipt by us of an administrative letter indicating this desire on your part will be sufficient documentation for us to issue an amendment to Subcontract 100-18.

Very truly yours,



WES:ej
Encls.

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